

AMENDED IN ASSEMBLY AUGUST 18, 2014

AMENDED IN ASSEMBLY JUNE 30, 2014

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AMENDED IN SENATE MARCH 24, 2014

SENATE BILL

No. 1210

**Introduced by Senator Lara
(Coauthors: Senators Correa, De León, and Steinberg)**

February 20, 2014

An act to add Article 23 (commencing with Section 70030) to Chapter 2 of Part 42 of Division 5 of Title 3 of the Education Code, relating to postsecondary education.

LEGISLATIVE COUNSEL'S DIGEST

SB 1210, as amended, Lara. Postsecondary education: California DREAM Loan Program.

Existing law establishes the University of California, under the administration of the Regents of the University of California, and the California State University, under the administration of the Trustees of the California State University, as 2 of the segments of public postsecondary education in this state. Existing law authorizes the regents and the trustees to require that mandatory systemwide fees and tuition, among other fees, be paid by students at campuses of the University of California and the California State University, respectively.

This bill would establish the California DREAM Loan Program. The bill would provide that, commencing with the 2015–16 academic year, a student attending a participating campus of the University of California

or California State University may receive a loan, referred to as a DREAM loan, through the program if the student satisfies specified requirements, including a requirement that the student be exempt from paying nonresident tuition or meet equivalent requirements adopted by the regents. The bill would require the Student Aid Commission, in collaboration with the participating campus, to certify that the student satisfies these requirements. The bill would require the student to affirm in writing that he or she satisfies one of these requirements, and would require the student to authorize the commission to access any information pertinent to certify that the student satisfies these requirements. The bill would require a participating campus to determine the amount of the loan offered to an individual student by the campus, subject to enumerated specifications.

The bill would state the intent of the Legislature that funds shall be appropriated in the annual Budget Act each fiscal year, commencing with the 2015–16 fiscal year, to participating campuses based upon the number of eligible students attending each respective campus who submitted a specified financial aid application during the prior academic year. The bill would require a participating campus to deposit these funds in a DREAM revolving fund established by each campus, subject to specified exceptions. The bill would require each participating campus to contribute its discretionary funds into its DREAM revolving fund so that the sum of the campus' contribution *of funds* and ~~the its share of~~ DREAM loan repayments equals or exceeds ~~an increasing percentage,~~ 50%, as specified, of all funds in the campus' DREAM revolving fund at the start of each academic year before DREAM loans are awarded for that academic year. ~~The~~

The bill would require the California State University and the University of California to annually report to the Legislature as part of their respective annual financial aid reports the dollar amount of each DREAM loan awarded and number of students for whom a DREAM loan was awarded that academic year, and require each participating campus to annually report the total amount of funding in the institution's DREAM revolving fund, the annual amount contributed by the state, and the annual amount contributed by the institution to the institution's DREAM revolving fund, and the annual administrative costs of the DREAM Program at the institution.

The bill would require a participating campus to determine a student's eligibility for a DREAM loan, award DREAM loans to students, and establish mechanisms for recording the annual amount of the DREAM

loan borrowed by each recipient, and the aggregate amount of DREAM loans borrowed by each recipient.

The bill would require the trustees and request the regents to adopt regulations providing for the withholding of institutional services from current and former students who have been notified in writing that they are in default on DREAM loans.

The bill would provide that each participating campus is entitled to an administrative cost allowance to equal a specified amount for an award year if the campus advances funds through the DREAM Program to students that academic year.

The bill would provide that, if a state court finds that a specified provision of this program or similar provision adopted by the Regents of the University of California is unlawful, the court may order, as equitable relief, that the participating campus subject to the lawsuit terminate all loans awarded pursuant to that provision without money damages, loans, or other retroactive relief being awarded, and that the California State University and the University of California are immune from any imposition of money damages, loans, or other retroactive relief for actions taken under this program.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. This act shall be known, and may be cited, as the
- 2 California DREAM Loan Act.
- 3 SEC. 2. The Legislature finds and declares all of the following:
- 4 (a) California has expanded access to higher education for
- 5 thousands of hard-working, high-achieving students who attended
- 6 and graduated from a California high school but were ineligible
- 7 to pay in-state tuition and fees to attend a campus of the California
- 8 State University and the University of California, including many
- 9 students who were denied access to state financial aid or financial
- 10 aid offered at these campuses.
- 11 (b) Since 2002, students have been exempt from paying
- 12 nonresident tuition and fees at the California Community Colleges,
- 13 the California State University, and the University of California
- 14 pursuant to Section 68130.5. Commencing in 2011, these students
- 15 were eligible for state financial aid or financial aid offered by these
- 16 public institutions. Nevertheless, many of these students remain

ineligible for federal student aid for reasons beyond their control. Lack of access to federal student loans presents a substantial barrier for these students to obtain a baccalaureate degree from the California State University or the University of California.

(c) The California DREAM Loan Act addresses this barrier by providing access to additional state aid so students may take full advantage of the educational opportunities offered at the California State University and the University of California.

(d) The California DREAM Loan Act represents an important step in the state's ongoing efforts to provide access to all academically qualified students pursuing the dream of a college or university degree. Through the enactment of this measure, California will keep faith with the state's longstanding promise to make higher education accessible and affordable to every qualified student.

SEC. 3. Article 23 (commencing with Section 70030) is added to Chapter 2 of Part 42 of Division 5 of Title 3 of the Education Code, to read:

Article 23. California DREAM Loan Program

70030. This article shall be known, and may be cited, as the California DREAM Loan Program.

70031. The California DREAM Loan Program, which may also be referred to as the DREAM Program, is hereby established.

70032. As used in this article, the following terms have the following meanings:

(a) An "academic year" is July 1 to June 30, inclusive. The start date of a session shall determine the academic year in which it is included.

(b) "Award year" means one academic year, or the equivalent, of attendance at a qualifying institution.

(c) "Commission" means the Student Aid Commission.

(d) "Cost of attendance" means the student's tuition and fees, books and supplies, living expenses, transportation expenses, and any other student expenses used to calculate a student's financial need for purposes of federal Title IV student aid programs.

(e) "Enrollment status" means part-time status or full-time status of a student at a qualifying institution.

1 (f) “Expected family contribution” means a student’s expected
2 family contribution calculated according to the federal
3 methodology pursuant to subdivision (a) of Section 69506 (as
4 established by Title IV of the federal Higher Education Act of
5 1965, as amended (20 U.S.C. Sec. 1070 et seq.)).

6 (g) “Financial need” means a student’s financial need calculated
7 pursuant to the federal financial need methodology (as established
8 by Title IV of the federal Higher Education Act of 1965, as
9 amended (20 U.S.C. Sec. 1070 et seq.)).

10 (h) “Instructional program” means a program of study that
11 results in the award of a baccalaureate degree or undergraduate
12 certificate, or undergraduate coursework in a program of study
13 leading directly to a first professional degree for which no
14 baccalaureate degree or undergraduate degree is awarded.

15 (i) “Participating institution” means any campus of the California
16 State University or the University of California that elects to
17 participate in the DREAM Program pursuant to the requirements
18 specified for a qualifying institution as set forth in this article.

19 (j) “Satisfactory academic progress” means those criteria
20 required by applicable federal standards published in Title 34 of
21 the Code of Federal Regulations. A participating institution may
22 adopt regulations defining “satisfactory academic progress” in a
23 manner that duplicates those federal standards.

24 70033. (a) Commencing with the 2015–16 academic year, a
25 student attending a participating institution may receive a loan
26 under the DREAM Program if the student satisfies all of the
27 following requirements:

28 (1) The student is exempt from paying nonresident tuition under
29 Section 68130.5, or meets equivalent requirements adopted by the
30 Regents of the University of California.

31 (2) The student applies for financial aid using the application
32 established by the Student Aid Commission pursuant to subdivision
33 (b) of Section 69508.5, known as the Dream Act Application.

34 (3) The student is enrolled at least half time in good standing
35 in an instructional program at a participating institution.

36 (4) The student is determined by the participating institution to
37 have financial need.

38 (5) The student maintains satisfactory academic progress at the
39 participating institution.

40 (6) The student is not incarcerated.

(7) The student is not in default on any federal student loan, state student loan, or student loan issued by the California State University or the University of California.

(8) The student is enrolled in a program eligible for participation in the Cal Grant Program.

(b) (1) The Student Aid Commission or the participating institution shall require the student to affirm in writing that he or she satisfies the requirements of paragraph (7) of subdivision (a).

(2) A student seeking an award shall authorize the Student Aid Commission to access any information pertinent to certify that the student meets the requirements of subdivision (a).

(c) The Student Aid Commission, in collaboration with the participating institution, shall certify that the student satisfies all of the requirements specified in subdivision (a) before the participating institution may issue an award to the student pursuant to this article.

(d) The Legislature finds and declares that this article is a state law within the meaning of Section 1621(d) of Title 8 of the United States Code.

70034. (a) The amount of the DREAM loan offered to an individual student by a participating institution shall be determined by the institution, subject to the following provisions:

(1) The loan may not exceed the financial need of the student.

(2) No student may borrow more than four thousand dollars (\$4,000) under this program within a single academic year.

(3) No student may borrow more than twenty thousand dollars (\$20,000) in the aggregate under the program from any one participating institution.

(b) The interest rate for loans issued under the program shall be the same as the then-current interest rate for undergraduate loans under the William D. Ford Federal Direct Loan Program.

(c) The standard repayment term for a DREAM loan shall be 10 years. Repayment shall commence following a six-month grace period that begins when a student graduates or ceases to maintain at least half-time enrollment in a degree or certificate program.

(d) Interest shall not accrue on a DREAM loan during periods of at least half-time enrollment in a degree or certificate program or during the six-month grace period specified in subdivision (c).

(e) Eligibility for deferment or forbearance of a DREAM loan shall be determined by the participating institution in accordance

1 with the standards set forth in the William D. Ford Federal Direct
2 Loan Program.

3 (f) Participating institutions shall use a common promissory
4 note, approved by the Treasurer, to issue DREAM loans.

5 70035. (a) It is the intent of the Legislature that, each fiscal
6 year, funds shall be appropriated in the annual Budget Act to
7 participating institutions for purposes of the DREAM Program.

8 (b) The annual Budget Act shall allocate funding to participating
9 institutions based on the number of eligible students attending the
10 institution who applied for student financial aid pursuant to Section
11 69508.5 the prior academic year.

12 (c) (1) Each participating institution shall deposit funds
13 appropriated pursuant to subdivision (a) in a DREAM revolving
14 fund established by each institution, subject to subdivision (e).
15 DREAM loans shall be awarded from, and DREAM loan
16 repayments shall be deposited into, these revolving funds.

17 (2) *In accordance with subdivision (d), participating institutions*
18 *shall make DREAM loan repayment revenue available to offset*
19 *state and institutional contributions to the DREAM loan program*
20 *so that, as much as practicable, the respective annual costs to the*
21 *state and to participating institutions shall be reduced equally.*

22 (d) At the start of each academic year, before DREAM loans
23 for that academic year are awarded, each participating institution
24 shall contribute discretionary funds into its DREAM revolving
25 fund so that the sum of the institution's contribution of funds and
26 *the institution's share of* DREAM loan repayments equals or
27 exceeds ~~the following amounts:~~ *50 percent of all funds in the*
28 *institution's DREAM revolving fund for each year of an*
29 *institution's participation.*

30 ~~(1) Twenty-five percent of all funds for the institution's DREAM~~
31 ~~revolving fund for the institution's first and second year of~~
32 ~~participation.~~

33 ~~(2) Thirty-three percent of all funds in the institution's DREAM~~
34 ~~revolving fund for the institution's third and fourth year of~~
35 ~~participation.~~

36 ~~(3) Fifty percent of all funds in the institution's DREAM~~
37 ~~revolving fund for the institution's fifth year of participation, and~~
38 ~~every year thereafter.~~

39 (e) A participating institution shall not receive any additional
40 state funds if the receipt of these funds would reduce the percentage

1 of the DREAM revolving fund derived from the sum of the
2 institution's contribution of funds and DREAM loan repayments
3 to less than the specified percentage of all funds in the institution's
4 DREAM revolving fund as described in subdivision (d).

5 (f) (1) In the event that an institution terminates its participation
6 in the DREAM Program, the institution shall continue to service
7 DREAM loans, collect DREAM loan repayments, and perform all
8 due diligence required by the federal Fair Credit Reporting Act
9 (15 U.S.C. Sec. 1681 et seq.) until the last students at that
10 institution issued loans under the DREAM Program prior to the
11 institution terminating its participation have repaid their loans.

12 (2) An institution described in paragraph (1) that terminates its
13 participation in the DREAM Program shall annually repay all
14 funds provided by the state as the institution collects DREAM loan
15 repayments.

16 (g) (1) The California State University and the University of
17 California shall annually report to the Legislature as part of their
18 respective annual financial aid reports the dollar amount of each
19 DREAM loan awarded and number of students for whom a
20 DREAM loan was awarded that academic year.

21 (2) Each institution, including an institution described in
22 subdivision (f), shall annually report all of the following:

23 (A) The total amount of funding in the institution's DREAM
24 revolving fund.

25 (B) The annual amount contributed by the state to the
26 institution's DREAM revolving fund.

27 (C) The annual amount contributed by the institution to the
28 institution's DREAM revolving fund.

29 (D) The annual administrative costs of the DREAM Program
30 at the institution.

31 70036. Each participating institution is responsible for all the
32 following:

33 (a) The participating institution shall determine a student's
34 eligibility for a DREAM loan.

35 (b) The participating institution shall award DREAM loan funds
36 to students.

37 (c) The participating institution shall provide entrance and exit
38 loan counseling to borrowers that is generally comparable to that
39 required by federal student loan programs.

1 (d) The participating institution shall service DREAM loans,
2 collect DREAM loan repayments, and perform all of the due
3 diligence required by the federal Fair Credit Reporting Act (15
4 U.S.C. Sec. 1681 et seq.).

5 (e) The participating institution shall establish mechanisms for
6 recording the annual amount of the DREAM loan borrowed by
7 each recipient, and the aggregate amount of DREAM loans
8 borrowed by each recipient, in order to comply with the annual
9 and aggregate borrowing limits set forth in Section 70034.

10 70037. (a) The Trustees of the California State University and
11 the Regents of the University of California shall adopt regulations
12 providing for the withholding of institutional services from students
13 or former students who have been notified in writing at the
14 student's or former student's last known address that he or she is
15 in default on a loan or loans under the DREAM Program.

16 (b) (1) The regulations adopted pursuant to subdivision (a) shall
17 provide that the services withheld may be provided during a period
18 when the facts are in dispute or when the student or former student
19 demonstrates to either the Trustees of the California State
20 University or the Regents of the University of California, as
21 applicable, that reasonable progress has been made to repay the
22 loan or that there exists a reasonable justification for the delay as
23 determined by the institution. The regulations shall specify the
24 services to be withheld from the student, which may include, but
25 are not limited to, the following:

26 (A) The provision of grades.

27 (B) The provision of transcripts.

28 (C) The provision of diplomas.

29 (2) The services withheld pursuant to paragraph (1) shall not
30 include the withholding of registration privileges.

31 (c) "Default," for purposes of this section, means the failure of
32 a borrower to make an installment payment when due, or to meet
33 other terms of the promissory note under circumstances where the
34 institution holding the loan finds it reasonable to conclude that the
35 borrower no longer intends to honor the obligation to repay,
36 provided that this failure persists for 180 days for a loan repayable
37 in monthly installments, or 240 days for a loan repayable in less
38 frequent installments.

(d) This section shall not impose any requirement upon the University of California unless the Regents of the University of California, by resolution, makes this section applicable.

70038. (a) Each participating institution is entitled to an administrative cost allowance for an award year if the institution elects to advance funds under the DREAM Program to students for that award year.

(b) The amount of the administrative cost allowance described in subdivision (a) shall equal 5 percent of the institution's total amount of DREAM loan funds awarded to students for the award year that the participating institution advances funds to students under the DREAM Program.

(c) Each participating institution may charge its administrative cost allowance to its DREAM revolving fund.

(d) Each participating institution shall use its administrative cost allowance to offset the cost of administering the DREAM Program.

(e) Each participating institution is responsible for administrative costs that exceed its administrative cost allowance.

70039. If a state court finds that Section 70033, or any similar provision adopted by the Regents of the University of California, is unlawful, the court may order, as equitable relief, that the participating institution subject to the lawsuit terminate all loans awarded pursuant to that statute or provision deemed unlawful by a state court, but no money damages, loans, or other retroactive relief, may be awarded. In an action in which a state court finds that Section 70033 or any similar provision adopted by the Regents of the University of California, is unlawful, the California State University and the University of California shall be immune from the imposition of any award of money damages, loans, or other retroactive relief.